

ON-SITE SYSTEMS, INC.
A PUBLIC UTILITY CO.

RECEIVED
MAY 11 11 49 AM '00
TENN. REG. AUTH.

May 10, 2000

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

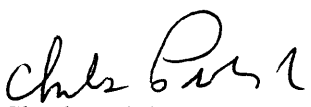
~~CONFIDENTIAL~~ 00-00272

RE: Petition to amend Certificate of Convenience and Necessity

Dear Mr. Waddell:

On-Site Systems Inc. desires to expand its service area to include an area near Townsend, Tennessee in Blount County. The attached Petition is in support of our request.

Sincerely,


Charles Pickney, Jr., President
On-Site Systems, Inc.

7638 River Road Pike Nashville TN 37209-5733
(615) 356-7294 Fax (615) 356-7295



POSTED
MAY 11 2000



**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

_____, 2000

**IN RE: PETITION OF ON-SITE SYSTEMS, INC. TO AMEND ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY**

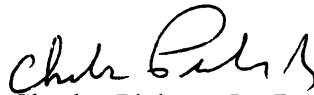
DOCKET No. ~~00-00379~~ 00-00272

Petition of On-Site systems, Inc.
to amend its Certificate of Convenience and Necessity

On-Site Systems, Inc. ("On-Site") petitions the Tennessee Regulatory Authority ("TRA") to amend On-Site's Certificate of Convenience and Necessity to expand its service area to include a portion of Blount County known as the Townsend Town Square. It is located along old Highway 73, between old highway 73 and U.S. highway 321 in Townsend, Tennessee. (See attached location map.) There is no public sewer located in Townsend. At present, neither Tuckaleechee Utility District, the water supplier for this area, not the Blount County Government, have any desire to provide sewer service to this area. (See attached letters.)

The proposed service area is comprised of approximately 17 acres.

Respectfully submitted,


Charles Pickney Jr., President
On-Site Systems, Inc.

POSTED
5-11-00

Townsend Town Square

WEAR COVE TVA QUADRANGLE MAP

Located at 1800LF West of Wears Valley Road on Hwy 321

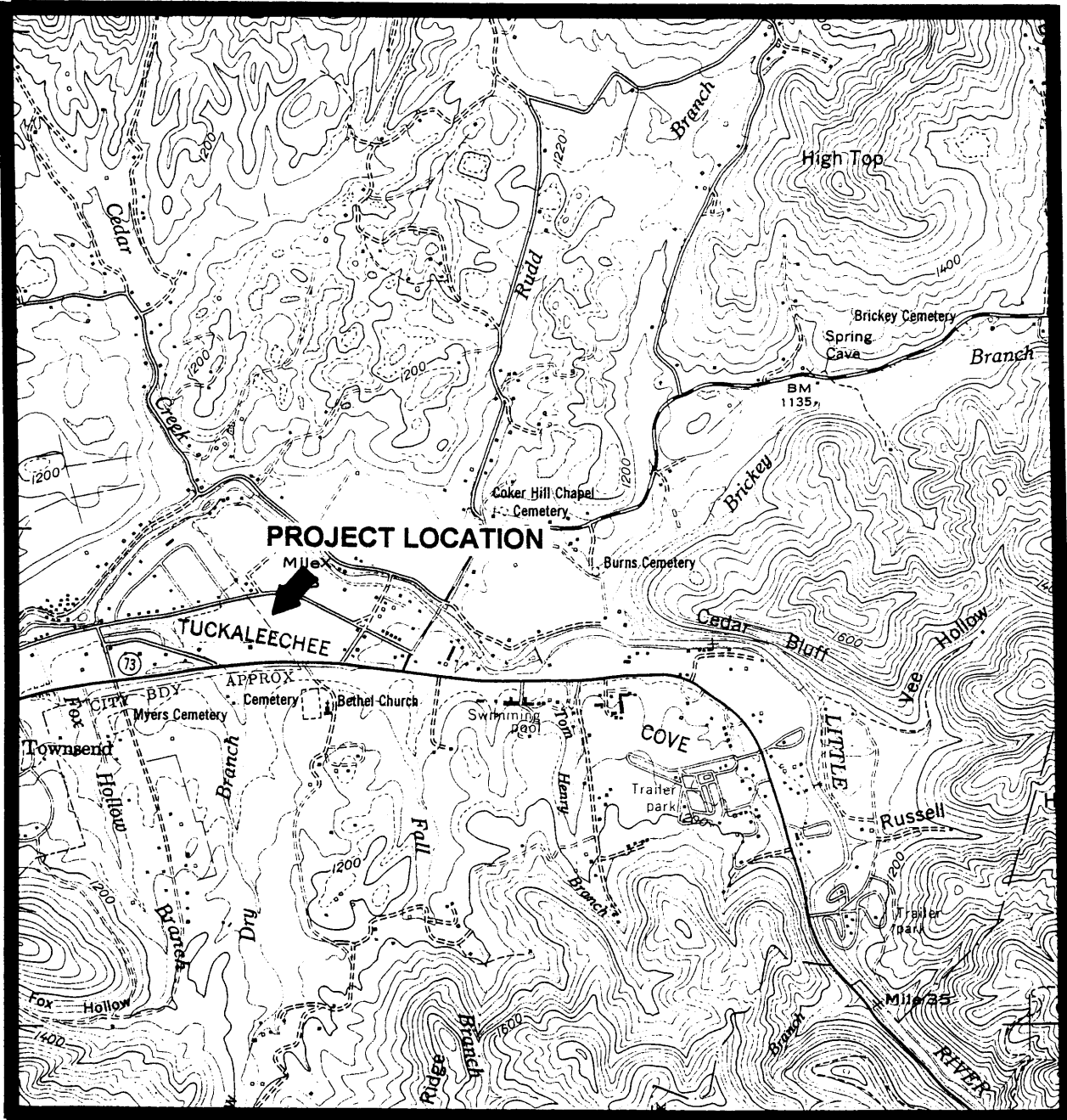
Location of Facility

Latitude 83° - 44' - 26"

Longitude 35° - 40' - 47"

adjacent to Little River @ Mile 33

Name of Nearest Stream of Tributary (including mile point)



LOCATION MAP

1" = 2000'

TUCKALEECHEE UTILITY DISTRICT
OF BLOUNT COUNTY
P.O. BOX 58
TOWNSEND, TENNESSEE 37882
(615) 448-2230

August 2, 1999

Mr. Charles Pickney, Jr., P.E.
On-Site Systems, Inc
7638 River Road Pike
Nashville, TN 37209-5733

Dear Mr. Pickney,

This will acknowledge your recent request to Tuckaleechee Utility District that it provide sewer service to Townsend Town Square, a commercial development located in Townsend between Old Highway 73 and U.S. Highway 321.

Please be advised that Tuckaleechee Utility District does not desire and has no plans to provide sewer service to Townsend Town Square.

Sincerely Yours,



Manager
Tuckaleechee Utility District

341 COURT STREET
MARYVILLE, TN 37804-5906
PHONE (423) 982-1302
FAX (423) 977-1276

BLOUNT COUNTY GOVERNMENT

WILLIAM A. CRISP
COUNTY EXECUTIVE



August 3, 1999

Mr. Charles Pickney, Jr., P.E.
On-Site Systems, Inc.
7638 River Road Pike
Nashville, TN 37209-5733

Dear Mr. Pickney:

This will acknowledge your recent request to the County that it provide sewer service to Townsend Town Square, a commercial development located in Townsend between Old Highway 73 and US Highway 321. Townsend Town Square is currently served by the Tuckaleechee Utility District.

Please be advised that the County does not desire and has no plans to provide sewer service to Townsend Town Square.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill", is written above the printed name of the County Executive.

William A. Crisp
Blount County Executive

WAC/rjp

On-Site Systems, Inc.
7638 River Road Pike
Nashville, TN 37209
Phone (615) 356-2880
Fax (615) 356-7295

Mr. Butch Phillips
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Petition to amend certificate of convenience and necessity.

Dear Mr. Phillips:

On-Site Systems Inc. is submitting this petition to amend our Certificate of Convenience and Necessity to include Townsend Town Square. This is our first commercial system. As with most commercial developments, there will be a variety of tenants in this shopping center and at this point, the development knows what type of business three of the tenants will be. Another four or five tenants will be added as the center builds out. Commercial customers can be grouped into two main categories: those that have food service and those that do not.

While the commercial customers that do not have food service tend to have a higher strength waste stream than a typical residence, the costs per gallon of flow to maintain and operate the sewer system are about 20% higher. The cost elements are virtually identical to those that have already been established for our residential customers, but they are higher due to a more intensive maintenance effort.

As an example, Exhibit 1C (commercial collection system operation and maintenance costs) can be compared to Exhibit 1 (operation and maintenance costs-residential). The design daily flow for a typical home is approximately 300 gallons per day, so the costs shown for each home per month are based on that daily flow. The costs in Exhibit 1C are based on a design flow of 1,000 gallons per day. The monthly cost per home is \$8.95. The monthly cost for the commercial customer is \$35.33. If we divide the flows we get $1000/300 = \$3.33$. The commercial customer will pay more per 1000 gallons of daily flow (\$35.33) than a residential customer (\$29.80), (18.6% more). This cost differential is due to the strength of the waste stream and problems associated with a lack of source control on public restrooms. One example is that more service calls are required because of the occasional abuse of public restroom facilities (i.e. someone flushing a disposable diaper down the toilet and stopping up the line going to the septic tank). In a home, this problem would be easily traceable and correctable with homeowner education, but in a public restroom the source is not traceable and the problem is more likely to occur again.

Most commercial customers will have restroom facilities only. The waste stream is not diluted by shower water, tub water, clothes washing water, etc. Because the waste

stream has a higher concentration of human waste, it causes system components to have a shorter life cycle and incur more costs. An example is that tanks need to be pumped more often due to sludge build up.

One concern is over the setting of a minimum monthly bill. With testing and reporting costs to the state amounting to \$300 per month, there could be a situation where we have only one or two commercial customers and they have only small restroom facilities and small flows. We cannot set a monthly bill for these customers that would cover our costs. It would be too high. (Possibly \$375-\$400 for a single customer). It may be that we have to set a policy that we will not be able to service small numbers of customers with small flows.

We are proposing a minimum monthly bill of \$75 based on a design flow of 300 gallons per day or less for non food service customers and a minimum monthly bill of \$100 based on a design flow of 300 gallons per day or less for food service customers.


Assuming these small flow customers are mixed in with larger "anchor" tenants, we should have enough income to cover our costs.

Commercial customers with food service present some additional challenges. In addition to the increased waste strength of commercial systems due to concentration levels, the waste strength of commercial customers is even higher due to the presence of grease, oil and fats and a significantly increased solid load due to kitchen and food handling wastes. Additional equipment such as oil separators and grease traps are required. This additional equipment must be maintained at added costs. Tank pumping due to solids build up is much more frequent and grease trap monitoring and cleaning must take place regularly for the system to function properly. While the cost of cleaning grease traps is the responsibility of the business owner, monitoring the grease traps adds to the maintenance expense for On-Site Systems, Inc.

The costs to maintain the treatment systems for commercial customers with food service is higher due to the presence of grease, oil and fats and a higher concentration of solids. As an example, the effluent dosing system must be cleaned more frequently to avoid clogging.

The overall increased cost to operate and maintain a commercial system for a customer with food service as compared to a commercial system without food service is in the area of 20%. Depending on the type of system, the additional costs range from 16% to 28%. The exhibit sheets detail the costs involved with these systems.

Sincerely,



Charles L. Pickney Jr.

Tariff Rate Sheet

Commercial Sewer Rates - without food service

A minimum bill per month is \$75.00 for up to 300 gallons per day of designed daily flow.

Monthly rate for each additional 1000 gallons of designed daily flow:

<u>Disposal</u>			
	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
<u>Treatment</u> <u>Sand-Gravel Filter</u>	\$140.00	\$165.00	N/A
<u>Lagoon</u>	\$116.00	\$140.00	N/A
<u>* Off Site</u>	N/A	N/A	Pass through costs & \$73.00

* Off Site means treatment and disposal by another entity such as a city or utility district.
A 10% surcharge will apply if the design flow is exceeded in any month's water meter reading.

Exhibit 1C

On-Site Systems, Inc. Commercial Collection System Operation and Maintenance Costs

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Tank pumping - usually once in 2 years - (24 months) \$390.00 per pumping / 24 = \$16.25 / month	\$16.25	\$16.25
Equipment replacement costs- for pumps, control panels, valves, etc. Average over a 20 Year period - 240 months		
Materials & Equipment costs- 2 pumps, 1 control panel 4 float switches - cost - \$2,060.00		
Labor Costs- 16 hours at \$30 / hour= \$480.00 Total = \$2540.00 / 240 = \$10.58	\$10.58	\$10.58
Preventative maintenance- annual system checks and corrections labor- 1 hr @ \$30 / hr = \$30.00 / year = 30 / 12 = \$2.50 per month	\$2.50	0
Service calls- variable- based on Ashland City & Oregon information - service truck and technician - .1 hr / month x \$60.00 / hr = \$6.00 (important variable - travel time)	\$6.00	0
	<hr/>	<hr/>
Total	\$35.33	\$26.83

* Based on a design flow of 1,000 gallons per day

Exhibit 2C

On-Site Systems, Inc. Commercial Treatment System Costs

Sand Gravel Filter

Annual preventative maintenance - clean dosing system- check valves-
check pumps - clean top of filter - check electrical control system -
clean recirculating tank
average - per 1,000 gallons of daily flow - 4 hrs per year @ \$35.00 / hour
 $4 \times \$35.00 = \140.00 / year or 11.67 / month

Average
Monthly
Cost

Amount
to be
Escrowed

11.67

0

Trouble calls - .1 hr / 1,000 gallons of daily flow
.1 hr x \$40.00 = \$4.00 / month

\$4.00

0

Equipment replacement costs- pumps, valves, media, electrical control
systems - (Average over 20 year period - 240 months)
For 1,000 gallons of daily flow - Pump costs - \$500.00 - one media replacement -
\$2,000.00

Electrical control system components and misc. - \$325.00

average cost per customer per month = $\$2825.00 / 240 = \11.77

\$11.77

\$11.77

Total

\$27.44

\$11.77

Lagoon

Annual preventative maintenance - remove vegetation, repair aerators, clean liner
Estimated cost - \$3.90 per month

\$3.90

0

Trouble calls - .04 hr / month - $.04 \times \$30.00 / \text{hr} = 1.20$ per month

\$1.20

0

Equipment replacement costs - averaged over 20 years

Liner, valves, aerator system and controls - \$1,100.00

$\$1,100.00 / 240 \text{ months} = \$4.58 / \text{month}$

\$4.58

\$4.58

Total

\$9.68

\$4.58

* Costs based on an average daily flow of 1,000 Gallons per day per customer

Exhibit 3C

On-Site Systems, Inc.

Utility Costs

Cost basis assumes a treatment facility of 10,000 gallons / day capacity and average customer usage of 1,000 gallons / day

	Average Monthly Cost	Amount to be Escrowed
Commercial Systems with Sand Gravel Filter Treatment		
For systems with sand gravel filter treatment and an average of 1,000 gallons of daily flow - \$8.00 per month	\$8.00	0
Commercial Systems with Lagoon Treatment		
The major utility will be electricity which is needed to power the aerators and in some cases, pumps. For systems with lagoon treatment and an average of 10,000 gallons of daily flow, the estimated cost for electricity is \$14.00 per month. $\$14.00 / 10 = \1.40 per month	\$1.40	0
Commercial Systems with Pump Stations		
The cost of electricity for pump stations will depend on the gallons of effluent being pumped. Assuming a single pump station will serve 10,000 gallons / day of flow, the estimated cost of electricity per pump station is \$20.00 / month - $\$20.00 \text{ per month} / 10 = \2.00 per month per customer	\$2.00	0
Commercial Systems with Metering Stations		
The average monthly cost of electricity for a Metering Station is \$14.00. $\$14.00 / 10 - \text{per customer} = \1.40 per month	\$1.40	0

Exhibit 4C

On-Site Systems, Inc. Commercial Disposal System costs

Drip irrigation

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Annual preventative maintenance - check dosing system, clean distribution piping system, clean filters, check electrical control system Cost - .5 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$20.00 / year = \$1.67 / month	\$1.67	0
Trouble calls - variable depending on travel time Cost - .25 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$10.00 / year = \$.83 / month	\$0.83	0
Equipment replacement costs - Pumps, filters, drip pipe distribution system, electrical control system - per 1,000 gallons of daily flow Cost - (over a 20 year period) - \$740.00 / 240 = \$3.08 / month	\$3.08	\$3.08
	<hr/>	<hr/>
Total	\$5.58	\$3.08

* Costs are based on a disposal system having a capacity of 10,000 gallons per day and a customer having a daily flow of 1,000 gallons

Exhibit 5C

On-Site Systems, Inc.

Commercial Sampling, Testing and Reporting Costs

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
<p>The State of Tennessee, Department of the Environment, Division of Water Pollution Control, issues an operating permit for each sewage treatment facility and as part of the permitting process, sets limits on the amount of various components of the waste stream that can be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in this process are the travel time to gather the samples and costs to get the samples to the laboratory. On-Site Systems intends to contract for these services across the state with reputable companies as near to the systems as practical. Whenever it can be arranged, On-Site intends to require the company collecting the samples to do some system checks and minor adjustments.</p>		

With Drip Irrigation Disposal

<p>The average cost for this service is projected at \$300.00 per month. This estimate is based on preliminary experience with contracting for these services and the expected permit requirements by the state. The cost allocation will be based on the system designed daily flow.</p>	\$30.00	0
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With Lagoon and Point Discharge Disposal

<p>The testing costs will be based on the number of days in the month that the discharge takes place. Assume two discharges per month.</p>	\$60.00	0
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Exhibit 6C

On-Site Systems, Inc.

Commercial Billing and Collection Costs

Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
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It is the intention of On-Site Systems, Inc. to use the most efficient means of billing and collection available for each service area. As a practical matter, it is usually best if the water supplier (usually a Utility District) will do a joint bill for water and sewer. A survey of members of the Tennessee Association of Utility Districts showed that the charge for billing and collection services ranged from a low of \$1 per month to a high of \$2.50 per month. Due to facility and personnel constraints, many water suppliers are not willing to provide billing and collection services. In these situations, On-Site will endeavor to contract with a local company to do billing and collection. In some circumstances On-Site may be forced to pay premium prices for these services. In addition to normal billing and collecting duties, commercial customers' water bills will be audited to determine if the designed daily flow has been exceeded.

Estimated Billing and Collection Costs

\$2.00

0

Exhibit 7C

On-Site Systems, Inc.

Commercial Miscellaneous Costs

This category covers costs such as office supplies, postage, annual TRA fees, rate case expenses and other costs that do not fit into the above categories.

Estimated Miscellaneous Costs

Average
Monthly
Cost

Amount
to be
Escrowed

\$1.36

\$0

Exhibit 8C

On-Site Systems, Inc.

State of Tennessee. Department of Environment, Division of Water Pollution Control Annual Fee

Commercial

Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
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For each sewage treatment facility that has been issued an operating permit by the State, an annual fee must be paid to the State to defray the costs of monitoring the System and insuring compliance with environmental regulations. The present fee for each treatment facility is \$250.00 per year. Allocate the monthly fee based on 1,000 gallons of usage.

$250/12 = 20.83$, $20.83/10 = 2.08/\text{month per customer}$

\$2.08

0

Above calculations assume ten 1,000 gallon per day customers on a 10,000 per day system.

Exhibit 10C

On-Site Systems, Inc.

Corporate - Franchise and Excise Taxes

For Commercial Customers

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$100,000 of plant and equipment per site - Franchise Taxes on \$100,000 of plant and equipment - \$.25 per \$100.00 of equipment = \$250.00 / Year / 12 = \$20.83 / month For a customer with 1,000 gallons of flow; \$20.83 / 10 = \$2.08 per month per system	\$2.08	0
Excise - 6% of net income - Estimate - \$14.35 / month per system x 6%	\$0.86	0
	<hr/>	<hr/>
Total Franchise and Excise tax	\$2.94	0

Exhibit 11C

On-Site Systems, Inc.

Commercial Public Utility Ad Valorem Property Taxes

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$100,000 of plant and equipment for a system providing treatment and disposal for 10,000 gallons per day		
Public Utility Ad Valorem Taxes on \$100,000 of plant, equipment and land is calculated as follows:		
For contributed plant and equipment, the basis is calculated at 25% of value $.25 \times \$100,000 = \$25,000$		
Equalization factor is 55% - $.55 \times \$25,000 = \$13,750.00$		
Tax = $\$13,750.00 \times (\text{local tax rate})$		
Local tax rates for our service areas are estimated to be 2.75%		
Tax = $\$13,750 \times .0275 = \378.13 per year or $\$31.51$ per month		
For a customer with 1,000 gallons of daily flow	\$3.15	0

Exhibit 12C

On-Site Systems, Inc.

Commercial Taxes

Federal

On-Site Systems, Inc. will have to pay tax on the net amount placed in escrow. In the years covered by our projection, this will result in a substantial outlay of cash for payment of taxes.

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Escrow amount to be treated as profit - average over a 10 year period (Annual amount escrowed) - (annual equipment replacement costs) (\$499.92) - (\$352.21) = \$147.71 / yr.		
Net monthly taxable amount = $\$147.71 / 12 = \12.31 / month		
Estimated tax on \$12.31 = \$3.69		
For a customer with 1,000 gallons of daily flow.	\$3.69	0

Exhibit 13C

On-Site Systems, Inc.

Commercial Local Management Fee

It is the intention of On-Site Systems, Inc. to contract with other companies to provide local and regional management of the day-to-day operations. This is necessary to hold costs down and provide reliable service to numerous small systems throughout the state. Based on the amount of work expected to manage these systems, On-Site Systems, Inc. expects to contract out this work for approximately \$9.32 per month per customer.

Local management fee -	\$9.32 per customer per month
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Exhibit 14C

On-Site Systems, Inc.

Commercial Corporate Management Fee

The four Pickney Brothers, Charles, Robert, William and Thomas, who own On-Site Systems, Inc. are pleased to be able to identify the need for sewer service in a given community and utilize their technical capabilities to provide an environmentally sound solution to that need and do so at a reasonable cost. There are many critical elements to insure that an On-Site sewer system is properly designed, constructed and maintained.

The Pickney Corporate Team has over 50 years of combined on-site sewer system experience. The Corporate Management Fee is compensation to the owners of the company for the company's ability to provide public sewer service to communities that would otherwise not have it and an incentive to continue to seek out additional opportunities to provide service.

Corporate Management Fee - \$9.32 per customer per month

Exhibit 15C

On-Site Systems, Inc.

Commercial System Pass Through Treatment and Disposal Costs

In most cases, On-Site Systems, Inc. will provide the collection, treatment and disposal systems needed to process the sewage from the customers served. Occasionally, a city or utility district has a treatment plant in close proximity to the service area and it is financially advantageous to run a pipe line to that plant instead of building treatment and disposal facilities.

Example ABC Shopping Center

All of the sewer effluent collected from businesses in the ABC Shopping Center is sent by pipeline to the city of Nashville. The city currently charges On-Site Systems the "outside the city limits" rate of \$5.40 per 1,000 gallons of effluent treated and disposed of. The costs are then passed through to the customers in the ABC Shopping Center. The monthly sewer bill to the customers in the ABC Shopping Center has two components. The first component covers On-Site's costs of operating and maintaining the collection system, pumping station, and metering station. The second component covers the city of Nashville's charges for treatment and disposal of the effluent piped to them. The second cost is passed through to the customer by On-Site.

As an example, a customer who uses 5,000 gallons of water per month would have a pass through cost of $5 \times \$5.40 = \27.00 . Per contract with the city of Nashville, they will adjust the amount they charge annually and On-Site will pass through that amount.

Treatment and disposal costs - Pass through of actual costs

Escrow - \$0.00

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate W/O Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - for Sand Gravel Filter	\$27.44	\$11.77	2C
Utility costs - Sand Gravel Treatment	\$8.00	0	3C
Disposal system costs - Drip Irrigation	5.58	3.08	4C
Sampling and Testing costs - Required by State of TN	\$30.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
	<hr/>	<hr/>	
Total Costs	\$140.21	\$41.68	
Proposed Rate	\$140.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate W/O Food Service

**Compilation Sheet for Lagoon Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - for Lagoon	\$9.68	\$4.58	2C
Utility costs - Lagoon Treatment	\$1.40	0	3C
Disposal system costs - Drip Irrigation	\$5.58	\$3.08	4C
Sampling and Testing costs - Required by State of TN	\$30.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
	<hr/>	<hr/>	
Total Costs	\$115.85	\$34.49	
Proposed Rate	\$116.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - W/O Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - for Sand Gravel Filter	\$27.44	\$11.77	2C
Utility costs - Sand Gravel Treatment	\$8.00	0	3C
Sampling and Testing costs - Required by State of TN	\$60.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
	<hr/>	<hr/>	
Total Costs	\$164.63	\$38.60	
Proposed Rate	\$165.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - W/O Food Service

**Compilation Sheet for Lagoon Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment system costs - Lagoon	\$9.68	\$4.58	2C
Utility costs - Lagoon Treatment	\$1.40	0	3C
Sampling and Testing costs - Required by State of TN	\$60.00	0	5C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorum Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
	<hr/>	<hr/>	
Total Costs	\$140.27	\$31.41	
Proposed Rate	\$140.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - W/O Food Service

**Compilation Sheet for Off Site Treatment
and Disposal by Others**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$35.33	\$26.83	1C
Treatment and Disposal by Others (Municipality or Utility District)	actual costs	\$0.00	15C
Utility costs - Pumping station and Metering station	\$3.40	\$0.00	3C
Billing and collection costs	\$2.00	0	6C
Miscellaneous costs	\$1.36	0	7C
State of TN Department of Environment Annual Fee	\$2.08	0	8C
Franchise - Excise Taxes - Utility Company	\$2.94	0	10C
Public Utility Ad Valorem Tax	\$3.15	0	11C
Federal Taxes	\$3.69	0	12C
Local management fee	\$9.32	0	13C
Corporate management fee	\$9.32	0	14C
	<hr/>	<hr/>	
	\$72.59 +		
Total Costs	actual costs	\$26.83	
	\$73.00 +		
Proposed Rate	actual costs		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

Tariff Rate Sheet

Commercial Sewer Rates - with food service

A minimum bill per month is \$100.00 for up to 300 gallons per day of designed daily flow.

Monthly rate for each additional 1000 gallons of designed daily flow:

Disposal

<u>Treatment</u>	<u>Disposal</u>		
	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
	<u>Sand-Gravel Filter</u>	\$170.00	\$192.00
	<u>Lagoon</u>	\$142.00	\$163.00
	<u>* Off Site</u>	N/A	N/A
			Pass through costs & \$94.00

- * Off Site means treatment and disposal by another entity such as a city or utility district.
A 10% surcharge fee will apply if the design flow is exceeded in any month's water meter reading.

Exhibit 1CF

On-Site Systems, Inc. Commercial Collection System Operation and Maintenance Costs

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Tank pumping - usually once in 18 months - \$390.00 per pumping / 18 = \$21.67 / month	\$21.67	\$21.67
Equipment replacement costs- for pumps, control panels, valves, etc. Average over a 20 Year period - 240 months		
Materials & Equipment costs- 2 pumps, 1 control panel 4 float switches - cost - \$2,060.00		
Labor Costs- 16 hours at \$30 / hour= \$480.00 Total = \$2540.00 / 240 = \$10.58	\$10.58	\$10.58
Preventative maintenance- annual system checks and corrections labor- 3 hr @ \$30 / hr = \$90.00 / year = 90 / 12 = \$7.50 per month	\$7.50	0
Service calls- variable- based on commercial systems & Oregon information -service truck and technician - .2 hr / month x \$60.00 / hr = \$12.00 (important variable - travel time)	\$12.00	0
	<hr/>	<hr/>
Total	\$51.75	\$32.25

* Based on a design flow of 1,000 gallons per day per customer

Exhibit 2CF

On-Site Systems, Inc. Commercial Treatment System Costs

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Sand Gravel Filter		
Annual preventative maintenance - clean dosing system- check valves- check pumps - clean top of filter - check electrical control system - clean recirculating tank average - per 1,000 gallons of daily flow - 6 hrs per year @ \$35.00 / hour 6 x \$35.00 = \$210.00 / year or 17.50 / month	17.5	0
Trouble calls - .1 hr / 1,000 gallons of daily flow .1 hr x \$40.00 = \$4.00 / month	\$4.00	0
Equipment replacement costs- pumps, valves, media, electrical control systems - (Average over 20 year period - 240 months) For 1,000 gallons of daily flow - Pump costs - \$500.00 - one media replacement - \$2,000.00 Electrical control system components and misc. - \$325.00 average cost per customer per month = \$2825.00 / 240 = \$11.77	\$11.77	\$11.77
	<hr/>	<hr/>
Total	\$33.27	\$11.77
Lagoon		
Annual preventative maintenance - remove vegetation, repair aerators, clean liner Estimated cost - \$4.20 per month	\$4.20	0
Trouble calls - .04 hr / month - .04 x \$30.00 / hr = 1.20 per month	\$1.20	0
Equipment replacemnt costs - averaged over 20 years Liner, valves, aerator system and controls - \$1,500.00 \$1,500.00 / 240 months = \$6.25 / month	\$6.25	\$6.25
	<hr/>	<hr/>
Total	\$11.65	\$6.25

* Costs based on an average daily flow of 1,000 Gallons per day per customer

Exhibit 3CF

On-Site Systems, Inc.

Utility Costs

Cost basis assumes a treatment facility of 10,000 gallons / day capacity and average customer usage of 1,000 gallons / day

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Commercial Systems with Sand Gravel Filter Treatment		
For systems with sand gravel filter treatment and an average of 1,000 gallons of daily flow - \$8.00 per month	\$8.00	0
Commercial Systems with Lagoon Treatment		
The major utility will be electricity which is needed to power the aerators and in some cases, pumps. For systems with lagoon treatment and an average of 10,000 gallons of daily flow, the estimated cost for electricity is \$14.00 per month. \$14.00 / 10 = \$1.40 per month	\$1.40	0
Commercial Systems with Pump Stations		
The cost of electricity for pump stations will depend on the gallons of effluent being pumped. Assuming a single pump station will serve 10,000 gallons / day of flow, the estimated cost of electricity per pump station is \$20.00 / month - \$20.00 per month / 10 = \$2.00 per month per customer	\$2.00	0
Commercial Systems with Metering Stations		
The average monthly cost of electricity for a Metering Station is \$14.00. \$14.00 / 10 - Per customer = \$1.40 per month	\$1.40	0

Exhibit 4CF

On-Site Systems, Inc. Commercial Disposal System costs

Drip irrigation

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Twice per year preventative maintenance - check dosing system, clean distribution piping system, clean filters, check electrical control system Cost - 1 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$40.00 / year = \$3.33 / month	\$3.33	0
Trouble calls - variable depending on travel time Cost - .5 hr per 1,000 gallons of daily flow x \$40.00 / hr = \$20.00 / year = \$1.66 / month	\$1.66	0
Equipment replacement costs - Pumps, filters, drip pipe distribution system, electrical control system - per 1,000 gallons of daily flow Cost - (over a 20 year period) - \$740.00 / 240 = \$3.08 / month	\$3.08	\$3.08
	<hr/>	<hr/>
Total	\$8.07	\$3.08

* Costs are based on a disposal system having a capacity of 10,000 gallons per day and a customer having a daily flow of 1,000 gallons

Exhibit 5CF

On-Site Systems, Inc.

Commercial Sampling, Testing and Reporting Costs

Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
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The State of Tennessee, Department of the Environment, Division of Water Pollution Control, issues an operating permit for each sewage treatment facility and as part of the permitting process, sets limits on the amount of various components of the waste stream that can be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in this process are the travel time to gather the samples and costs to get the samples to the laboratory. On-Site Systems intends to contract for these services across the state with reputable companies as near to the systems as practical. Whenever it can be arranged, On-Site intends to require the company collecting the samples to do some system checks and minor adjustments.

With Drip Irrigation Disposal

The average cost for this service is projected at \$300.00 per month. This estimate is based on preliminary experience with contracting for these services and the expected permit requirements by the state. The cost allocation will be based on the system designed daily flow.

\$30.00	0
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With Lagoon and Point Discharge Disposal

The testing costs will be based on the number of days in the month that the discharge takes place.
Assume two discharges per month.

\$60.00	0
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Exhibit 6CF

On-Site Systems, Inc.

Commercial Billing and Collection Costs

**Average
Monthly
Cost**

**Amount
to be
Escrowed**

It is the intention of On-Site Systems, Inc. to use the most efficient means of billing and collection available for each service area. As a practical matter, it is usually best if the water supplier (usually a Utility District) will do a joint bill for water and sewer. A survey of members of the Tennessee Association of Utility Districts showed that the charge for billing and collection services ranged from a low of \$1 per month to a high of \$2.50 per month. Due to facility and personnel constraints, many water suppliers are not willing to provide billing and collection services. In these situations, On-Site will endeavor to contract with a local company to do billing and collection. In some circumstances On-Site may be forced to pay premium prices for these services. In addition to normal billing and collecting duties, commercial customers' water bills will be audited to determine if the designed daily flow has been exceeded.

Estimated Billing and Collection Costs

\$2.00

0

Exhibit 7CF

On-Site Systems, Inc.

Commercial Miscellaneous Costs

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
This category covers costs such as office supplies, postage, annual TRA fees, rate case expenses and other costs that do not fit into the above categories.		
Estimated Miscellaneous Costs	\$1.36	\$0

Exhibit 8CF

On-Site Systems, Inc.

State of Tennessee. Department of Environment, Division of Water Pollution Control Annual Fee

Commercial

Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
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For each sewage treatment facility that has been issued an operating permit by the State, an annual fee must be paid to the State to defray the costs of monitoring the System and insuring compliance with environmental regulations. The present fee for each treatment facility is \$250.00 per year. Allocate the monthly fee based on 1,000 gallons of usage.

$250/12 = 20.83$, $20.83/10 = 2.08$ per month per customer

\$2.08

0

Above calculations assume ten 1,000 gallon per day customers on a 10,000 gallon per day system

Exhibit 10CF

On-Site Systems, Inc.

Corporate - Franchise and Excise Taxes

For Commercial Customers

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$120,000 of plant and equipment per site - Franchise Taxes on \$120,000 of plant and equipment - \$.25 per \$100.00 of equipment = \$200.00 / Year / 12 = \$25.00 / month For a customer with 1,000 gallons of flow; \$25.00 / 10 = \$2.50 per month per system	\$2.50	0
Excise - 6% of net income - Estimate - \$14.35 / month per system x 6%	\$0.86	0
	<hr/>	<hr/>
Total Franchise and Excise tax	\$3.36	0

Exhibit 11CF

On-Site Systems, Inc.

Commercial Public Utility Ad Valorem Property Taxes

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Assuming an average of \$100,000 of plant and equipment for a system providing treatment and disposal for 10,000 gallons per day		
Public Utility Ad Valorem Taxes on \$120,000 of plant, equipment and land is calculated as follows:		
For contributed plant and equipment, the basis is calculated at 25% of value $.25 \times \$120,000 = \$30,000$		
Equalization factor is 55% - $.55 \times \$30,000 = \$16,500.00$		
Tax = $\$16,500.00 \times$ (local tax rate)		
Local tax rates for our service areas are estimated to be 2.75%		
Tax = $\$16,500 \times .0275 = \453.75 per year or \$37.81 per month		
For a customer with 1,000 gallons of daily flow	\$3.78	0

Exhibit 12CF

On-Site Systems, Inc.

Commercial Taxes

Federal

On-Site System, Inc. will have to pay tax on the net amount placed in escrow.
In the years covered by our projection, this will result in a substantial outlay of cash for payment of taxes.

Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
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Escrow amount to be treated as profit - average over a 10 year period
(Annual amount escrowed) - (annual equipment replacement costs)
 $(\$499.92) - (\$352.21) = \$147.71 / \text{yr.}$

Net monthly taxable amount = $\$147.71 / 12 = \$12.31 / \text{month}$
Estimated tax on $\$12.31 = \3.69

For a customer with 1,000 gallons of daily flow

\$3.69	0
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Exhibit 13CF

On-Site Systems, Inc.

Commercial Local Management Fee

It is the intention of On-Site Systems, Inc. to contract with other companies to provide local and regional management of the day-to-day operations. This is necessary to hold costs down and provide reliable service to numerous small systems throughout the state. Based on the amount of work expected to manage these systems, On-Site Systems, Inc. expects to contract out this work for approximately \$11.18 per month per customer.

Local management fee -	\$11.18 per customer per month
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Exhibit 14CF

On-Site Systems, Inc.

Commercial Corporate Management Fee

The four Pickney Brothers, Charles, Robert, William and Thomas, who own On-Site Systems, Inc. are pleased to be able to identify the need for sewer service in a given community and utilize their technical capabilities to provide an environmentally sound solution to that need and do so at a reasonable cost. There are many critical elements to insure that an On-Site sewer system is properly designed, constructed and maintained.

The Pickney Corporate Team has over 50 years of combined on-site sewer system experience. The Corporate Management Fee is compensation to the owners of the company for the company's ability to provide public sewer service to communities that would otherwise not have it and an incentive to continue to seek out additional opportunities to provide service.

Corporate Management Fee - \$11.18 per month per customer

Exhibit 15CF

On-Site Systems, Inc. Commercial Pass Through Treatment and Disposal Costs

In most cases, On-Site Systems, Inc. will provide the collection, treatment and disposal systems needed to process the sewage from the customers served. Occasionally, a city or utility district has a treatment plant in close proximity to the service area and it is financially advantageous to run a pipeline to that plant instead of building treatment and disposal facilities.

Example Burger King Restaurant

All of the sewer effluent collected from a Burger King Restaurant is sent by pipeline to the city of Nashville. The city charges On-Site Systems the "outside the city limits" rate of \$5.40 per 1,000 gallons of effluent treated and disposed of. The costs are then passed through to the Burger King Restaurant. The monthly sewer bill to the Burger King Restaurant has two components, a fixed component which covers On-Site's costs and a variable component, based on water usage, which passes through the charges from the city of Nashville. As an example, a business that uses 5,000 gallons of water per month would have a pass through cost of $5 \times \$5.40 = \27.00 . Per our contract with the city of Nashville, they will adjust the amount they charge annually and On-Site will pass through that amount.

Treatment and disposal costs - Pass through of actual costs

Escrow - \$0.00

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - With Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - for Sand Gravel Filter	\$33.27	\$11.77	2CF
Utility costs - Sand Gravel Treatment	\$8.00	0	3CF
Sampling and Testing costs - Required by State of TN	\$60.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
	<hr/>	<hr/>	
Total Costs	\$191.65	\$44.02	
Proposed Rate	\$192.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate With Food Service

**Compilation Sheet for Lagoon Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - for Lagoon	\$11.65	\$6.25	2CF
Utility costs - Lagoon Treatment	\$1.40	0	3CF
Disposal system costs - Drip Irrigation	\$8.07	\$3.08	4CF
Sampling and Testing costs - Required by State of TN	\$30.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
	<hr/>	<hr/>	
Total Costs	\$141.50	\$41.58	
Proposed Rate	\$142.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - With Food Service

**Compilation Sheet for Lagoon Treatment
with Point Discharge Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	Monthly <u>Charge</u>	Amount to be <u>Escrowed</u>	Reference <u>Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - Lagoon	\$11.65	\$6.25	2CF
Utility costs - Lagoon Treatment	\$1.40	0	3CF
Sampling and Testing costs - Required by State of TN	\$60.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
	<hr/>	<hr/>	
Total Costs	\$163.43	\$38.50	
Proposed Rate	\$163.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate With Food Service

**Compilation Sheet for Sand Gravel Filter Treatment
with Drip Irrigation Disposal**

Assumption- The system has a capacity of 10,000 gallons per day.
Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	Monthly Charge	Amount to be Escrowed	Reference Exhibit
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment system costs - for Sand Gravel Filter	\$33.27	\$11.77	2CF
Utility costs - Sand Gravel Treatment	\$8.00	0	3CF
Disposal system costs - Drip Irrigation	8.07	3.08	4CF
Sampling and Testing costs - Required by State of TN	\$30.00	0	5CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorem Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
	<hr/>	<hr/>	
Total Costs	\$169.72	\$47.10	
Proposed Rate	\$170.00		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
(See Rules and Regulations for explanation)

On-Site Systems, Inc.
Sewer Service Billing Structure

Commercial Sewer Rate - With Food Service

**Compilation Sheet for Off Site Treatment
and Disposal by Others**

Assumption- The system has a capacity of 10,000 gallons per day.
 Customers will share fixed costs on a design flow basis.

Note: Costs below are per 1,000 gallons of design flow

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$51.75	\$32.25	1CF
Treatment and Disposal by Others (Municipality or Utility District)	actual costs	0	15CF
Utility costs - Pumping station and Metering station	\$3.40	0	3CF
Billing and collection costs	\$2.00	0	6CF
Miscellaneous costs	\$1.36	0	7CF
State of TN Department of Environment Annual Fee	\$2.08	0	8CF
Franchise - Excise Taxes - Utility Company	\$3.36	0	10CF
Public Utility Ad Valorum Tax	\$3.78	0	11CF
Federal Taxes	\$3.69	0	12CF
Local management fee	\$11.18	0	13CF
Corporate management fee	\$11.18	0	14CF
	<hr/>	<hr/>	
Total Costs	\$93.78 + actual costs	\$32.25	
Proposed Rate	\$94.00 + actual costs		

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15, Returned Ck- \$20
 (See Rules and Regulations for explanation)

RULES AND REGULATIONS

Governing the sewage collection and treatment systems of On-Site Systems, Inc.

Statement of Purpose

The general purpose of these rules and regulations is:

1. To establish procedures for furnishing sewage collection and treatment services on a uniform basis to customers within the Company's service area.
2. To provide standards and procedures for:
 - a. Acceptable sewage characteristics
 - b. Protection of the integrity of the water tight system
 - c. Engineering design standards
 - d. Construction standards and inspection requirements
 - e. Quality of materials

Definition of Terms

1. Company - The word Company shall mean On-Site Systems Inc.
2. Engineer - The word Engineer shall mean the consulting engineer of On-Site Systems Inc.
3. Customer - The word Customer shall mean any person , firm, corporation, association or government unit furnished sewage services by the Company.

Effective Date _____

4. Property- The word property shall mean all facilities owned and operated by the Company.
5. TRA - The letters TRA shall mean the Tennessee Regulatory Authority.
6. STEP Tank - The words STEP Tank shall mean the septic tank located near the building which accepts waste and contains a pump vault.
7. STEG Tank - The words STEG Tank shall mean the septic tank located near the building which accepts waste and contains an effluent filter.
8. Service Line - The words Service Line shall mean the line from the STEP/STEG Tank to a Collector Line.
9. Collector Line - The words Collector Line shall mean the line from the Service Line to the Main Line.
10. Main Line- The words Main Line shall mean the line from the Collector Line to the treatment facility.
11. Building Outfall Line - The words Building Outfall Line shall mean the line that carries waste from the building to the STEP/STEG Tank .

12. Pumping Station - The words Pumping Station shall mean a tank that contains pumps and receives effluent from STEG Tanks and / or Collector Lines.

Authorization of Rules and Regulations

On-Site Systems, Inc. is a corporation organized and engaged in business as a public utility in the State of Tennessee. Under a Certificate of Convenience and Necessity issued by the Tennessee Regulatory Authority on April 4th, 1994, under Docket No. 93-09040, the Company submits the following statement of its rules and regulations in compliance with Rule 602.2.

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewage system customer of the Company.

Utility Items on Private Property

The Company shall own and maintain all STEP and STEG tanks, control systems and service lines required to provide sewer service on the Customer's premises.

The Customer must execute an agreement granting an easement to the Company for maintenance of the sewer system. The building plumbing and Building Outfall Line shall be maintained by the Customer.

Effective Date _____

Discontinuance of Service

Service under any application may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth below
2. For misrepresentation in the application
3. For adding to the property or fixtures without notice to the Company
4. For molesting any service pipe, tank, control system, filter or any property of the Company in any way whatsoever
5. For violation of any rules of the Company
6. For disconnecting or re-connecting service by any party, other than a duly authorized agent of the Company, without the consent of the Company

Non-payment penalties

A non-payment penalty of five percent (5%) of the monthly charge will be due after the due date shown on the bill. If payment is not received within fifteen days after the due date, a written notice will be sent to the customer. If payment is not received within 15 days of the written notice, sewer service will be turned off from the customer's property, with no additional notice being sent. No service shall be reconnected if discontinued for non-payment (or any other valid reason) until all charges have been paid, including disconnection and reconnection fees. The disconnection fee is \$10 and the reconnection fee is \$15.

Effective Date _____

Returned Checks

A check returned by the bank will incur a fee of \$20.00.

Changes in Ownership, Tenancy of Service

A new application and agreement must be made and approved by the Company on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Company shall have the right to discontinue service until such new application is made and approved.

Security Deposits

Each new Customer, before connection or reconnection of the service, will be required to make a refundable deposit to secure payment of sewage service bills in an amount double the monthly bill for that particular type of customer. Interest of six (6%) percent will be paid on any such refundable deposit for the period it is held by the Company.

Effective Date _____

Sewer System Access Fee

The owner of each property parcel which is provided a tap when the sewer system is built, will be required to pay a sewer access fee of \$84.00 per year.

This fee will be payable each year by December 15th, for owners of record as of December 1st. As each customer attaches to the sewer tap and signs up for service, they will pay a pro-rated access fee for that year and thereafter the fee will not be charged.

Engineering, Materials and Construction Standards

1. General - This specification covers the type of sewer system required for various design conditions of sewers constructed by developers.

The requirements called for are minimum in all cases. Bedding conditions, material specifications, sealing requirements and installation methods are the responsibility of the design engineer and must be approved by the Company Engineer. Design and construction of sewer lines shall meet the requirements of the State of Tennessee Department of Environment , in addition to this specification. Where conflicts exist, the more restrictive shall govern.

2. All sewage collection system components are to be water tight.

This includes Building Outfall Lines, all tanks, Collector Lines, Service Lines, and Main Lines. Collector Lines and Main Lines are to be tested to 100 pounds per square inch of water pressure. Risers and lids are to be water tight.

3. STEP and STEG Tanks are to be installed near the building to be served. The tanks are to be set in a level condition and tested for water tightness before backfilling.

4. All pipe is to be PVC . Classes and sizes will be per Engineer's design and in all cases SDR 21 class 2000 will be the minimum allowable.

5. Only wastewater drains are to be connected to the sewer system. No water sources such as roof drains, sump pumps, condensate lines and swimming pools shall be connected to the sewer system.

Special Pretreatment Sewage Requirements

For all sewage connections the Company reserves the right to require any non-residential user to provide special pre-treatment for any high strength effluent before discharge into its sewage system. The Company may, upon the basis of recognized engineering standards and treatment costs, increase the rate charged to

cover the cost of treatment of high strength effluent, commercial or industrial waste, and may impose standards as to the maximum size of solids and constituents in such waste discharged into its sewage system.

Additionally, if excessive volumes of sewage are received, the Company may require the Customer to monitor flow volume and increase surge holding, treatment, and disposal capacity at the Customer's expense. All customers will be required to follow the Do's and Don'ts list for an Effluent collection system, supplied to them by the Company. (Attachment No.3). These requirements prohibit the dumping of any toxic chemicals that kill tank bacteria and disposal of an excessive amount of grease, among other things.

Damages

The company shall in no event be responsible for maintaining any building outfall line owned by the customer, nor for damages created by sewage escaping therefrom, nor for defects in Customer's building lines or fixtures. The customer shall at all times comply with all regulations of the Tennessee Regulatory Authority and of the Company.

Effective Date _____

All leaks in any building pipe or fixture on the premises of the Customer shall be immediately repaired by the Customer. On failure to repair any such leak, the service may be discontinued until repairs are made.

Inspection

All pipes, valves and fixtures shall at all reasonable hours, be subject to inspection by the Company or its duly authorized agent.

In Event of Emergency

The Company shall not be liable to the Customer for interruption in service, or for damages or inconvenience as a result of any interruption, stoppage, etc., which was beyond the reasonable control of the Company. In case of an emergency, call 615-356-7294 or pager 615 -951-7048.

Service Area

The Company will provide service within it's current service area. Additions to the service area must be approved by the Tennessee Regulatory Authority.

Effective Date _____

Extension Plan

The Company may furnish sewer service to property owners whose lands abut the Main Line of existing sewer systems. The sewer service charges listed in the sewer billing structure do not include costs for constructing the sewer system. Any sewer system components required to service such abutting properties shall be constructed at the cost of those parties desiring same, and these components shall become the property of the Company, to be credited to the account for contributions in aid of construction. In addition, treatment system component costs will be paid by the Customer desiring to hook on to the system. Sewer service to new areas within a service territory will be made available where it is technically feasible and the developer or property owner is willing to bear the expense of designing and building the sewer system.

Contributions in Aid of Construction

Sewer system components furnished by developers and land owners to the Company will be recognized as contributions in aid of construction in the amount of the actual cost of construction. Capital contributions from developers will be treated in a like manner.

Contracts for Service

Each customer, before installation of service, shall be required to execute a Sewer Service Agreement.

Customer Billing Forms

Customer billings will vary by location. Where the local water provider is willing to do joint billing, that will be the method. In most instances, coupon books will be issued for payment of a flat monthly fee. In cases where pass through treatment costs and commercial customers are involved, a monthly bill will be sent to the customer and be based on the gallons of water used.

Public Contact

Charles L. Pickney , Jr.
7638 River Road Pike
Nashville, TN 37209
Phone - 615- 356- 7294

Effective Date _____

On-Site Systems
Rules and Regulations
TRA # 2

Revised Sheet #12

Tennessee Regulatory Authority Regulations

The Company, in its operation, shall conform with all the applicable rules and regulations promulgated from time to time by the Tennessee Regulatory Authority. Phone # 1-800-342-8359

Effective Date _____